

State of Colorado



DPA

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Bill Owens
Governor

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December 1, 2004

Honorable Bill Owens
Governor of Colorado
136 State Capitol Building
Denver, Colorado 80203

Honorable Senator Abel Tapia
Chair, Joint Budget Committee
Colorado General Assembly
200 East 14th Avenue
Denver, Colorado 80203

Dear Governor Owens and Senator Tapia:

Pursuant to policy, I have updated the total compensation survey results based on analysis of additional compensation data since our August 1 report was published. It also reflects the more recent, and lower, Employment Cost Index used in our analysis. While the updated overall average market salary movement based for all occupational groups is 2.15%, slightly lower than the previous finding of 2.30%, the analysis shows that the earlier finding of 3.4% for total salary adjustments remains unchanged. In accordance with the Total Compensation Reform Act, I am also providing a revised total compensation recommendation. I continue to request that the General Assembly appropriate \$46.2 million in increased employee compensation for Fiscal Year 2005-06.

For employees' base salary adjustments, the average salary adjustment of 2.15% will maintain the State's competitive pay ranges and assure employees are being paid comparably¹. As a further short-term measure to enhance performance-based pay, I continue my recommendation of narrowing pay ranges by a 1% increase to the minimum of each pay range. This provides an additional mechanism for employees at the lower end of the pay range to progress upwards in their ranges. This correspondence is providing a revised total compensation recommendation to remain constant with the August 1st recommendation for total salary adjustment dollars. Therefore, the dollars allocated for performance pay awards will be increased. While this amount is less than our historical contributions to the anniversary increase funding levels of 2.2%, it does recognize our current budget limitations and will allow the State to enhance the

¹ Employees rated "Needs Improvement" are ineligible for salary adjustments.

success of the performance-based pay program. It remains my intent to continue efforts to return these performance awards to a more meaningful level as our budget permits.

With the requested \$46.2 million to increase employee compensation for Fiscal Year 2005-06, I believe that the following allocation strikes the best balance for our state workforce in the coming year.

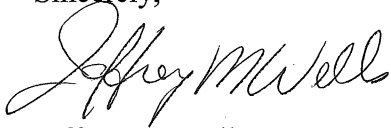
TOTAL COMPENSATION RECOMMENDATION FOR FY 2005-06 (Including associated PERA and Medicare costs)	
Components	Cost
Salary adjustment	\$24,254,616
Performance pay awards	\$12,762,485
Range width adjustments	\$350,064
Combined Health, Dental, & Life/AD&D	\$8,832,634
Total	\$46,199,799

An additional \$8.8 million continues to be requested for the State's contribution to group benefit plans. These new dollars will help address the critical issue of the continuing double-digit increase in health care premiums and move us closer to our strategic goal of contributions closer to the prevailing market level. If funded by the General Assembly, these contribution levels would take the State, on January 1, 2006, to 65% of the prevailing market level based on the latest November 2004 enrollment data. However, with the change to a fiscal year benefit plan cycle, the current and recommended contribution levels must be blended in order to remain within the requested appropriation. This blended contribution level for July 1, 2005, will be approximately 60.5% of prevailing for the entirety of Fiscal Year 2005-06. This remains consistent with the fiscal note accompanying HB 04-1449 that the shift in the group benefit plan year from a calendar year to a fiscal year will not have a fiscal impact. The following table shows the recommended increase in state contributions.

HDL	CY 2004	CY 2005	July 05 - Jun 06
Health – Employee only	\$156.06	\$178.06	\$191.98
Health – Employee + one child	\$232.52	\$303.50	\$325.35
Health – Employee + spouse	\$232.52	\$303.50	\$337.10
Health – Employee + children	NA	NA	\$325.35
Health – Family	\$326.46	\$420.03	\$464.47
Dental – Employee only	\$16.26	\$16.26	\$14.90
Health – Employee + one child	\$16.26	\$16.26	\$19.79
Dental – Employee + spouse	\$16.26	\$16.26	\$18.38
Dental – Employee + children	NA	NA	\$19.79
Dental – Family	\$16.26	\$16.26	\$23.12
Life	\$1.60	\$4.68	\$4.68

I have considered the fiscal constraints facing the FY 2005-06 budget and remain convinced that it is vitally important that we continue to meet our statutory obligations to offer employees competitive total compensation. This recommendation maximizes the State's investment in its employees and helps us fulfill our obligation.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey M. Wells". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Wells" clearly distinguishable.

Jeffrey M. Wells
Executive Director

cc: State Legislators, Cabinet members, and Higher Education Presidents
Division of Human Resources